

VZCZCXYZ0008
OO RUEHWEB

DE RUEHNO #0100/01 0750927
ZNY CCCCC ZZH
O 160927Z MAR 09
FM USMISSION USNATO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2772
INFO RUEHZG/NATO EU COLLECTIVE PRIORITY
RUCNPPFP/PARTNERSHIP FOR PEACE PROGRAM COLLECTIVE PRIORITY
RUEHKV/AMEMBASSY KYIV PRIORITY 0196
RUEHMO/AMEMBASSY MOSCOW PRIORITY 6294
RUEHSI/AMEMBASSY TBILISI PRIORITY 5727
RUEKJCS/SECDEF WASHINGTON DC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFISS/HQ USEUCOM VAIHINGEN GE PRIORITY
RHEHNSC/WHITE HOUSE NSC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY

C O N F I D E N T I A L USNATO 000100

NOFORN
SIPDIS

E.O. 12958: DECL: 03/15/2019
TAGS: [NATO](#) [PREL](#) [AFIN](#) [ABUD](#) [AMGT](#)
SUBJECT: NATO'S CIVIL BUDGET: AN EVEN HOLLOWER ALLIANCE
THAN IS RECOGNIZED

REF: A. BC-D(2009)0004
[1](#)B. SG(2009)0146

Classified By: CDA Walter Andrusyszyn. Reasons: 1.4 (b) and (d).

[1](#)1. (C/NF) SUMMARY: The NATO International Staff is projecting a shortfall of Euros 70 million in the NATO Civil Budget over the next five years. This shortfall is the result of the Alliance taking on an ever increasing number of activities--often at the urging of the U.S.--while also trying to adhere to a Zero Real Growth policy for the Civil Budget. In addition, Allies have been unwilling/unable to agree on sufficient cuts to existing programs in order to balance the budget. U.S. political leadership will be required to get Allies to agree to the painful changes needed to turn this situation around. We recommend that the Department authorize the Ambassador to lay down markers in upcoming budget discussions. In addition, we believe that NATO Foreign Ministers need to begin addressing this issue as a part of NATO Transformation and HQ reform, in the same way that Defense Ministers discuss the lack of military resources. END SUMMARY.

[1](#)2. (C/NF) The NATO International Staff (IS) has circulated a five-year planning document for the NATO Civil Budget which underscores the need for the U.S. and other Allies to take a policy/strategic look at how to address priorities and current projected shortfalls. With anemic European defense budgets and the related lack of Allied political will to use military force, NATO has been characterized recently as a "hollow alliance." While this military hollowing out has naturally taken center stage, it has drawn our attention from the equally troubling lack of resources available to the civilian budget of the Alliance. If the U.S. hopes to continue to use the Alliance as a primary method of addressing "political-military" issues, we will have to lead Allies in addressing this deficit.

We Are in a Hole

[1](#)3. (C/NF) The Chairman of NATO's Civil Budget Committee just released NATO's draft Medium Term Financial Plan (MTFP) for the five year period running from 2010 to 2014 (ref A). For that period, assessed national contributions to the core civil budget total Euros 885,499,000. The NATO International Staff, however, estimates that Euros 954,972,400 would be required to carry out the tasks covered by the civilian

budget, including all the programs which have already been agreed by nations and the operating, maintenance, and security costs for the NATO Headquarters building. In other words, there is an approximately Euro 70 million hole in the civilian budget over the next five years.

How We Got Here

¶4. (C/NF) While there are a variety of causes for this deficit, we believe that three stand out:

-- First, NATO has been operating in a very constrained Civil Budget environment. Beginning in 2004, NATO has operated on a policy of Zero Real Growth (ZRG) for the Civil Budget. France has been the leading proponent maintaining the ZRG policy;

-- Second, despite this obvious budget constraint, the Alliance has continued to take on additional new tasks. Without providing the additional resources to carry out these new missions, Allies have effectively saddled the Alliance with "unfunded mandates." Many Allies would argue that the U.S. bears much of the responsibility in this regard, driving the Alliance to take on an ever-increasing number of roles without due consideration for the resource implications; and

-- Finally, Allies have been unwilling/unable to agree to "sunset" or significantly cut back existing programs. Civil Budget discussions have grown increasingly contentious, with most Allies doing little more than protecting their "pet rocks." The NATO Science for Peace and Security program, for

example, chews up a disproportionately large portion of the civilian budget (Euros 11.8 million out of the Euros 176.957 million 2009 Civil Budget), but its supporters--led by Turkey--have fought tooth-and-nail our efforts to pare it back. Arguing that it would send an unwelcome "political signal," the NATO-Russia supporters (including Germany, France, Italy, Norway, and Luxembourg) fought efforts to reduce those portions of the NATO-Russia Council funded by the civil budget--even though we were in a period of "no business as usual" from the August war in Georgia until the Foreign Ministers' meeting in early March. Similarly, Spain and Italy refuse to countenance any significant reductions in spending for NATO's Mediterranean Dialogue partnership.

The Implications

¶5. (C/NF) The Chairman of the Civil Budget Committee makes clear that from his perspective the Alliance is in a position where it will not be able to carry out programs agreed at the political level. In other words, the Alliance's commitments are ringing increasingly hollow, and NATO may well find itself in the position of having to take decisions on what to stop doing, rather than simply reducing activities.

¶6. (C/NF) A good example is the decision at the December 2008 Foreign Ministerial to create a NATO Liaison Office in Tbilisi. Recognizing that there were virtually no funds to carry out this mandate, the MTFP makes the assumption that the office would be staffed by five or six Voluntary National Contributions (VNCs) by nations, not by the NATO International Staff. Nations would also be expected to cover the VNCs' accommodation costs. Unfortunately, nations have not yet stepped forward to offer the "assumed" VNCs or the costs associated with them. While Georgia has a sufficiently high profile with some Allies that one or more of them will likely eventually step forward, we should not take for granted that this will be the case.

How We Get Out Of This Hole

¶7. (C/NF) Getting out of this hole will require Allies to take several very hard steps:

-- First, stop digging. Allies need to more carefully consider the resource implications of proposed new tasks for the Alliance. While this will be true for all Allies, it will be particularly important for the U.S. We have traditionally been the driver for moving NATO into new areas or expanding existing programs; unfortunately, we have not done so in a budget-conscious manner. Over the short-term at least, the U.S. will likely have to be satisfied with consolidating and implementing existing programs, rather than creating whole new ones. For those new projects Washington still finds important enough to push, it will likely need to provide resources for it outside the Civil Budget, such as through Voluntary National Contributions. Projects that Washington considers of insufficient importance to warrant additional U.S. funding should not be hoisted on NATO as yet another unfunded mandate;

-- Second, Allies will eventually have to come to terms with the need to end--or at least significantly cut back--programs that have run their course or are clearly of lower priority. The NATO Science budget, in particular, will need to be reduced in order that those funds can be freed up for higher priority projects. Achieving this will likely require high-level interventions with Ankara; and

-- Finally, the Alliance must abandon the Zero Real Growth policy or at a minimum attach funding commitments to new programs. Doing so will be difficult, particularly in a time of economic crisis. France, in particular, will fight attempts to reverse this policy. Nevertheless, it must be done. We can no longer expect the Alliance to do more without also increasing the resources available to it.

The Need For Political Level Attention

18. (C/NF) The Civil Budget process is being reviewed by budget officers and, as in years past, is moving its way up the decision chain at NATO without adequate political supervision. The issue of Strategic Guidance for the Civil Budget (ref B) is on the agenda of the Secretary General's agenda for upcoming meetings and is not likely to be resolved easily. We seek Department endorsement of the following way forward:

-- the Ambassador will draw attention to the Euro 70 million shortfall in the present budget plans, arguing that the gap needs to be closed either by new funding or by cutting existing programs;

-- simultaneously, the Ambassador will propose that the Allies engage in a thorough review of the Civil Budget to determine strategic priorities of the Alliance through review of the budget to determine strategic priorities of the Alliance;

-- the Ambassador will lay down a marker that new budget items will need dedicated funding commitments. No new programs can or should be approved without adequate funding being identified from the start.

ANDRUSYSZYN